

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

**NO SURFACE USE OIL AND GAS LEASE  
(Paid-Up Lease)**

This Oil and Gas Lease (this "Lease") is made on MARCH 17, 2008, between SHG Resources, LP a Delaware limited partnership formerly known as SHG Secured Resources, LP, (hereafter called "Lessor," whether one or more), whose address is 27742 Portola Parkway, Suite 200, Foothill Ranch, California 92610 and Dale Property Services, L.L.C. (hereafter called "Lessee"), whose address is 2100 Ross Avenue, Suite 1870, Dallas, Texas 75201.

1. Grant. In consideration of a cash in hand bonus of five thousand dollars (\$5,000.00) per acre and other consideration and covenants herein, Lessor grants and leases exclusively unto Lessee the following described land (the "Land") in Tarrant County, Texas, for the sole purpose of exploring, drilling, and producing oil, gas and other hydrocarbons from the Land described as follows:

6.97 acres of land, more or less, described as Western Hills Park Addition Site 3 Lot 1R, Tarrant County, Texas, according to the plat recorded in Cabinet B, Slide 1273. Deed records of Tarrant County, Texas.

This lease also covers and includes all strips and gores of land owned or claimed by Lessor adjacent or contiguous to the land particularly described above, whether the same be in said survey or surveys or in adjacent surveys, although not included with the boundaries of the land particularly described above, including the rights of Lessor if any, to the minerals owned by Lessor located in streets, roads, alleys, easements and rights of way adjacent of Lessor's lands described above.

2. Primary Term. This Lease is for a term of three years from this date (called "Primary Term") and as long thereafter as oil or gas is produced in paying quantities from the Land or land pooled therewith or operations are being conducted on the Land or land pooled therewith as provided herein.

3. Minerals Covered. This Lease covers only oil and gas. The term "oil and gas" means oil, gas, and other liquid and gaseous hydrocarbons produced through a well bore.

4. Royalty.

(a) As royalties, Lessee agrees:

(1) To deliver free of cost to Lessor at the wells or to the credit of Lessor at the pipeline to which the wells may be connected, twenty five (25%) (the "Royalty Fraction") of all oil and other liquid hydrocarbons produced and saved from the Land. At Lessor's option, which may be exercised from time to time, Lessee shall pay to Lessor the same part of the market value at the well of oil and other liquid hydrocarbons of like grade and gravity to a third party not affiliated with Lessee prevailing on the day the oil and other hydrocarbons are run from the Lease in the general area in which the Land is located.

(2) To pay Lessor for gas, including all gases, liquid hydrocarbons and their respective constituent elements, casinghead gas, or other gaseous substance produced from the land and sold at points of sale on or off the premises, the Royalty Fraction of the net proceeds derived from such sale calculated at the well. Lessee shall have free use of all gas produced from the Land for all operations hereunder.

(b) Lessor's royalty will never bear, either directly or indirectly, any part of the costs or expenses of pre- and post-production, production, separation, gathering, dehydration, compression, transportation, trucking, processing, treatment, storage, or marketing of the oil or gas produced from the leased premises incurred prior to the sale of such oil and gas to the first non-affiliate of Lessee, or any part of the incurred costs of construction, operation, or depreciation of any plant or other facilities or equipment used in the handling of

oil or gas from the leased premises. It is the intent of the parties that the foregoing provisions of this paragraph are to be fully effective and enforceable and are not to be construed as "surplusage" under the principals set forth in *Heritage Resources v. Nations Bank*, 939 S.W.2d 118 (Tex. 1996). Notwithstanding anything to the contrary, Lessor's royalty will bear its pro-rata share of transportation charges for downstream transportation, provided the charges are made by a company which is not an affiliate of, or related party to, Lessee, and provided they do not exceed an amount reasonably commensurate with charges by non-affiliated entities to unrelated operators in the area of the leased premises.

(c) Lessee's obligation to pay royalties under this lease shall be secured by a first lien under the provisions of Section 9.343 of the Texas Business and Commerce Code extending to all of Lessor's royalty share of all oil and gas production and the proceeds of such share received by Lessee from a purchaser or a pipeline company. Additionally Lessee will at all time hold the proceeds in trust for the benefit of Lessor. Notwithstanding the insolvency, bankruptcy, or other business failure of lessee, a purchaser of production from the Land or pipeline company transporting production from the Land, Lessor shall possess a secured lien on all proceeds from the Lessor's share of production and Lessee will remain liable for payment to Lessor for, and agrees to pay Lessor all royalties due Lessor together with interest if not timely paid.

#### 5. Operations.

(a) If, at the expiration of the Primary Term, oil or gas is not being produced from the Land, but Lessee has commenced operations for the drilling of a well on the Land, or lands pooled therewith, except as otherwise provided herein, the Lease will not terminate but will remain in effect for so long thereafter as operations are carried out with no cessation of more than ninety (90) consecutive days, and if the operations result in the production of oil or gas, the Lease shall remain in force as otherwise provided herein. For the purposes of this Lease, the term "operations" means operations for any of the following: preparation for and/or drilling, testing, completing, reworking, fracing, recompleting, deepening, plugging back, or repairing of a well in search of or in the endeavor to obtain, maintain, re-establish or enhance production of oil or gas with no cessation of more than ninety (90) consecutive days.

(b) If after the expiration of the primary term production from any well shall cease for any cause, Lessee shall have ninety (90) days from the cessation of production to commence, and thereafter prosecute drilling or reworking operations in a good faith attempt to restore production from the Land or lands pooled therewith with no cessation of more than ninety (90) consecutive days, and if such operations result in production, this lease shall continue for so long as production in paying quantities continues or the lease is otherwise maintained in force.

(c) As a result of land development in the vicinity of the Land, governmental rules or ordinances regarding well sites, and/or surface restrictions as may be set forth in this Lease and/or other leases in the vicinity, surface locations for well sites in the vicinity may be limited and Lessee may encounter difficulty securing surface location(s) for drilling, reworking or other operations. Therefore, since drilling, reworking or other operations are either restricted or not allowed on the Land or other leases in the vicinity, it is agreed that any such operations conducted at a surface location off of the Land or off of lands with which Land is pooled in accordance with this Lease, provided that such operations are associated with a directional well for the purpose of drilling, reworking, producing or other operations under the Land or lands pooled therewith, shall for purposes of this Lease be deemed operations conducted on the Land. Nothing contained in this paragraph is intended to modify any surface restrictions or pooling provisions or restrictions contained in this Lease, except as expressly stated.

6. Surface Use. Lessee expressly waives all rights to use the surface of the land. Lessee may develop the oil and gas beneath the surface of the land only by directional drilling conducted on the surface of other land. Any directional drilling must penetrate the Land sufficiently below the surface as to not interfere with the present or future use of the surface of the Land for commercial or residential use, and in no event may the directional drilling penetrate the Land less than five hundred (750) feet below the surface. A directional well drilled and with a drain hole(s) under the surface of the land under this provision shall be considered to be

located on the Land. Lessee acknowledges that the surface of the Land will be used for the operation of a skilled nursing facility and that Lessee will be fully responsible for any harm or damage to such operation or facility which is caused by Lessee's operations hereunder.

7. **Shut-in Royalty.** At any time after the primary term, while there is a gas well on this Lease or on acreage pooled therewith capable of producing gas in paying quantities, but gas is not being sold, and this lease is not otherwise being maintained in full force and effect, Lessee shall pay or tender, as royalty, in advance an annual shut-in royalty of an amount equal to seventy dollars (\$200.00) per acre covered by this Lease. Payment with respect to a well will be due within one hundred twenty (120) days after (a) the well is shut-in or (b) the end of the primary term, whichever is the later date. All subsequent Shut-In Royalty payments will be due on or before the anniversary date of the date of the first Shut-In Royalty payment, provided however, that this lease cannot be maintained in force by payment of shut-in royalties for more than two(2) consecutive years or four (4) years in the aggregate. While shut-in royalty payments are timely and properly paid, this Lease will be deemed to be held as a producing lease. The obligation of Lessee to pay shut-in royalty is a condition and, if Lessee, for any reason, should fail to make a shut-in royalty payment on or before its due date, this lease shall terminate. The payment or tender of royalty under this paragraph may be made by the check of Lessee mailed or delivered to the parties entitled thereto on or before the due date. Notwithstanding anything to the contrary contained in this lease, at the option of Lessee, which may be exercised by Lessee giving written notice to Lessor, a well which has been drilled and Lessee intends to frac shall be deemed a well capable of producing in paying quantities and the date such well is shut-in shall be when the drilling operations are completed.

8. **Pooling.** Lessee shall have the right to pool, as to any one or more formations, the Land with other land or leases in the vicinity thereof, to form pooled units for the production of oil and gas or either of them. Units pooled for oil shall not exceed forty (40) acres, plus a tolerance of ten percent (10%), and units for gas shall not exceed three hundred twenty (320) acres, plus a tolerance of ten percent (10%), provided that if a governmental authority having jurisdiction prescribes or permits a unit for the drilling or operation of a well to be larger than those specified hereunder, units created thereafter may conform substantially in size to those prescribed or permitted by the governmental authority. The unit will become effective when Lessee files in the Real Property Records of the county where the Land is located a document describing the pooled acreage and depths for the pooled unit. Upon written request, Lessee will deliver a copy of the document creating the unit to Lessor, upon filing. Lessee may at its election exercise its pooling option before or after commencing operations. Operations for drilling on or production of oil or gas from any part of a pooled unit that includes land covered by this Lease shall be considered as operations on or production of oil or gas from the portion of the Land included in the pooled unit. There shall be allocated to the Land included in the unit that prorated portion of the oil and gas, or either of them, gas produced from the pooled unit that the number of mineral acres of the Land included in the unit bears to the total number of mineral acres included in the unit. Royalties shall be computed on the portion of production allocated to the Land. Upon the expiration of the primary term of this lease, or any extension of the primary term pursuant to other provisions hereof, this lease shall terminate as to all depths lying below one hundred (100) feet below the base of the deepest sand or other formation from which oil and gas is being produced in paying quantities from the land or upon land with which the land may be pooled for production.

9. **Force Majeure.** Should Lessee be prevented by reason of Force Majeure from complying with any express or implied covenant of this Lease (other than a requirement to pay money that has accrued and was due prior to the force majeure event), from conducting drilling or reworking operations on the Land, or from producing oil or gas, then while so prevented, Lessee will not be liable for damages for failure to comply therewith. "Force Majeure" means any Act of God, war, riot, strike, insurrection, any federal or state law, scarcity of drilling rigs or other equipment, inability to obtain a drilling permit, any rule or regulation of governmental authority, or other similar cause (other than financial reasons or Lessee's failure to comply with governmental requirements).

10. **Warranties.** This lease shall be subject to all valid and subsisting matters of record in the county in which the land is located, to the extent same affect the land, as well as to matters apparent upon inspection, and is made without warranty of title, expressed or implied. If Lessor owns an interest in the Land less than the fee simple estate, then the royalties payable hereunder will be reduced proportionately. All royalty interest

covered by this lease, whether or not owned by Lessor, shall be paid out of the royalty herein provided. Lessor's rights and interests hereunder shall be charged with any mortgages, taxes or other liens or interests against the Land, but Lessor agrees that Lessee shall have the right at any time after Lessor's default to pay or reduce same for Lessor, either before or after maturity, and Lessee shall be subrogated to the rights of the holder thereof and authorized to deduct all amounts so paid from royalties or other payments which may become payable to Lessor and/or its successors and assigns under this Lease.

11. Notices. All notices will be deemed given and reports will be deemed delivered if sent either by overnight mail properly addressed and deposited with a nationally recognised overnight courier or by certified letter, return receipt requested, properly addressed and deposited in the United States Postal Service, postage prepaid, to Lessor and Lessee at the addresses shown above. Either party may designate a new address by proper notice to the other party.

12. Insurance. At all times while this Lease is in force, Lessee shall acquire and maintain insurance covering all of its operations on the Land, including any work performed on its behalf by contractors, subcontractors, and others, naming Lessor and related individuals and entities designated by Lessor as additional insureds. The policies shall include coverage for comprehensive general liability, for bodily injury and property damage, blowout and loss of well coverage, and coverage for any damage to the environment, including coverage for the cost of clean up and surface remediation. The coverage shall be in the minimum amount of five million dollars (\$5,000,000.00). All insurance coverage requirements above may be met by a combination of self-insurance, primary, and excess insurance policies

13. Indemnity. LESSEE AGREES TO INDEMNIFY, DEFEND AND HOLD HARMLESS LESSOR, AND LESSOR'S REPRESENTATIVES, SUCCESSORS, AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE FOR NUISANCE, FOR INJURY TO OR DEATH OF PERSONS, AND FOR LOSS OR DAMAGE TO PROPERTY, OR ANY OF THEM, INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEY FEES, EXPERT FEES, AND COURT COSTS, CAUSED BY OR RESULTING FROM LESSEE'S OPERATIONS OR LESSEE'S MARKETING OF PRODUCTION FROM THE LAND OR ANY VIOLATION OF ANY ENVIRONMENTAL REQUIREMENTS BY LESSEE. AS USED IN THIS PARAGRAPH, THE TERM "LESSEE" INCLUDES LESSEE, ITS AGENTS, EMPLOYEES, SERVANTS, CONTRACTORS, AND ANY OTHER PERSON ACTING UNDER ITS DIRECTION AND CONTROL, AND ITS INDEPENDENT CONTRACTORS. LESSEE'S INDEMNITY OBLIGATIONS SURVIVE THE TERMINATION OF THIS LEASE.

14. Dispute Resolution. In the event of a dispute under this Lease, the parties agree to attempt to resolve the dispute through good faith mediation to be held in Tarrant County, Texas.

15. Miscellaneous Provisions.

(a) In the event this Lease expires for any reason as to all or any part of the Land, Lessee shall, within sixty (60) days thereafter, furnish Lessor with a written, recordable release covering all of the Land or that portion of the Land to be released.

(b) Nothing in this Lease negates the usual implied covenants imposed upon Lessee.

(c) Lessee will conduct all operations hereunder in compliance with the rules of the Railroad Commission of Texas and federal and state environmental laws and regulations. Lessee will give Lessor at least ten days prior notice in writing before conducting seismic operation on the Land and will consult with Lessor concerning reducing the impact of such seismic operations on Lessor's surface operations.

(d) The terms "production" and "producing" mean production and producing in paying quantities. Lessee's obligations to pay money under this Lease are to be performed in Tarrant County, Texas. Paragraph headings are used in this Lease for convenience only and are not to be considered in the interpretation or construction of this Lease. The execution or ratification by Lessor of any division order, gas contract, or any other document will not alter any provision of this Lease unless the intent to do so is expressly stated in the document.

(e) This Lease is binding upon and for the benefit of Lessor, Lessee, and their respective heirs, personal representatives, successors, and assigns.

[SIGNATURE PAGE FOLLOWS]

Executed on the date first written above.

LESSOR:

SHG RESOURCES, LP a Delaware limited partnership  
formerly known as SHG SECURED RESOURCES, LP  
by its general partner LEAEHOLD RESOURCE GROUP,  
LLC a Delaware limited liability company

By:

  
Roland Rapp, Secretary

LESSEE:

DALE PROPERTY SERVICES, L.L.C.

By:

  
Mike Taliaferro, President

STATE OF CALIFORNIA  
COUNTY OF ORANGE

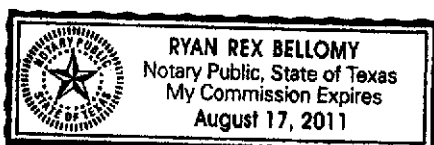
This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2008, by Roland Rapp in the capacity therein stated.


*See attached for California  
Notary wording.*

\_\_\_\_\_  
Notary Public, State of California

STATE OF TEXAS  
COUNTY OF TARRANT

This instrument was acknowledged before me on the 12 day of May, 2008, by Mike Taliaferro, in the capacity therein stated.



  
Notary Public, State of Texas

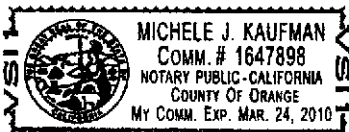
# CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of Orange

On May 2, 2008 before me, Michele Kaufman, Notary Public  
Date Here Insert Name and Title of the Officer

personally appeared Roland Rapp  
Name(s) of Signer(s)



who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(ies), and that by his/~~her/their~~ signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Michele J. Kaufman  
Signature of Notary Public

Place Notary Seal Above

## OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

### Description of Attached Document

Title or Type of Document: No Surface Use Oil and Gas Lease - Dale Property Services

Document Date: March 17, 2008 Number of Pages: Six

Signer(s) Other Than Named Above: Lessee on document.

### Capacity(ies) Claimed by Signer(s)

Signer's Name: \_\_\_\_\_

- ☐ Individual  
☐ Corporate Officer — Title(s): \_\_\_\_\_  
☐ Partner — ☐ Limited ☐ General  
☐ Attorney in Fact  
☐ Trustee  
☐ Guardian or Conservator  
☐ Other: \_\_\_\_\_

Signer Is Representing: \_\_\_\_\_

RIGHT THUMBPRINT  
OF SIGNER  
Top of thumb here

Signer's Name: \_\_\_\_\_

- ☐ Individual  
☐ Corporate Officer — Title(s): \_\_\_\_\_  
☐ Partner — ☐ Limited ☐ General  
☐ Attorney in Fact  
☐ Trustee  
☐ Guardian or Conservator  
☐ Other: \_\_\_\_\_

Signer Is Representing: \_\_\_\_\_

RIGHT THUMBPRINT  
OF SIGNER  
Top of thumb here



DALE RESOURCES  
2100 ROSS AVE # 1870 LB 9

DALLAS TX 75201

Submitter: DALE RESOURCES LLC

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SUZANNE HENDERSON  
TARRANT COUNTY CLERK  
TARRANT COUNTY COURTHOUSE  
100 WEST WEATHERFORD  
FORT WORTH, TX 76196-0401

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Filed For Registration: 05/16/2008 08:56 AM  
Instrument #: D208182993  
LSE 8 PGS \$40.00

By: \_\_\_\_\_



**D208182993**

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE  
OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR  
RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

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